



AUSTRALIAN
COUNCIL
FOR
INTERNATIONAL
DEVELOPMENT

Partnering for development

How Australian NGOs partner with
private sector organisations in
international development



About ACFID

The Australian Council for International Development (ACFID) is the peak body for Australian non-government organisations involved in international development and humanitarian action. ACFID's vision is a world where all people are free from extreme poverty, injustice and inequality; where the earth's finite resources are managed sustainably; and where Australia is a compassionate nation acting for a just and sustainable world.

Founded in 1965, ACFID has over 130 members, working in 125 developing countries. The total revenue raised by ACFID's membership amounts to \$1.3 billion annually (2012-13), \$719 million of which is raised from over 1.9 million Australians.

ACFID's members include large Australian organisations that are part of global federations and alliances, national NGOs, secular and faith based agencies and small NGOs with specific geographic or thematic mandates.

ACFID has a Partnership Agreement with the Department of Foreign Affairs and Trade (DFAT) under which this research and report have been undertaken.

Further information can be found at: www.acfid.asn.au

Partnerships for Development

The development challenges facing the world are complex and interrelated. It is increasingly apparent that tackling issues of poverty and inequality, environmental degradation and climate change, and the rising scale of conflict and disasters requires resources, capabilities and collaboration across all sectors – government, civil society and the private sector.

While the private sector has not traditionally been seen as a development and humanitarian actor, donors and developing countries alike are placing a greater emphasis on the role it can play today. This is to not only ensure the actions of business do no harm and are aligned with a country's development priorities, but also to harness private sector funds, resources and skills to reduce poverty and promote sustainable development.

The United Nations Sustainable Development Goals, the global blueprint for development efforts over the next 15 years, emphasise the importance of engaging private sector organisations as development actors and mobilising private finance and expertise. This is reflected in Australia's aid policy, *Australian aid: promoting prosperity, reducing poverty, enhancing stability*, which encourages private sector partnerships in the delivery of the aid program.

Though these policy shifts are recent, strong partnerships already exist between Australian aid and development NGOs and the private sector. Many Australian NGOs have long recognised the potential of leveraging private sector finances and expertise, and the importance of working to improve private sector practices. Aid and development NGOs partner with private sector organisations across diverse projects and sectors around the world. For their part, private sector organisations value the skills and experience of NGOs, their understanding of development challenges and their ability to operate effectively in difficult environments.

To better understand this engagement with the private sector, ACFID surveyed its membership to map existing partnerships between ACFID members and Australian and international private sector organisations. The results of the survey shed light on the different ways ACFID members currently partner with the private sector and how these partnerships form. They also provide insight into how further and more effective engagement may be encouraged through the efforts of all stakeholders – ACFID, its members, the Department of Foreign Affairs and Trade (DFAT) and private sector organisations.

Key findings and recommendations

Extent and nature of existing engagement

1. There are extensive partnerships between NGOs and the private sector.
2. Private sector engagement is easier to facilitate with Australian companies, and in Australia's region.
3. NGO partners effectively leverage financial resources and expertise for development.
4. NGOs of all sizes partner with the private sector but for different purposes.
5. Partnerships are most common for health, education and agriculture projects.
6. Partnerships are formed by both NGOs and private sector organisations taking the initiative.
7. Achieving development goals must be a central focus of private sector partnerships.

Facilitating further and more effective engagement

- There is potential for more partnerships that focus on shifting business practices and building shared value.
 - There is potential to capitalise on synergies between private sector organisations and specific areas of development.
 - There is a need to build private sector actors' interest in, and understanding of, development.
 - There is a need to build skills and understanding within NGOs of how they can engage with private sector organisations.
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Survey Snapshot

ACFID's private sector survey aimed to provide a snapshot of how Australia's aid and development NGOs engage with private sector organisations to achieve development outcomes.

67 of ACFID's members responded to the survey and identified 164 individual partnerships with private sector organisations. The survey is a representative sample of small, medium and large ACFID members, faith-based and secular organisations. The survey intends to provide insight into the variety and breadth of partnerships between ACFID members and the private sector, rather than an exhaustive list of all existing private sector partnerships.

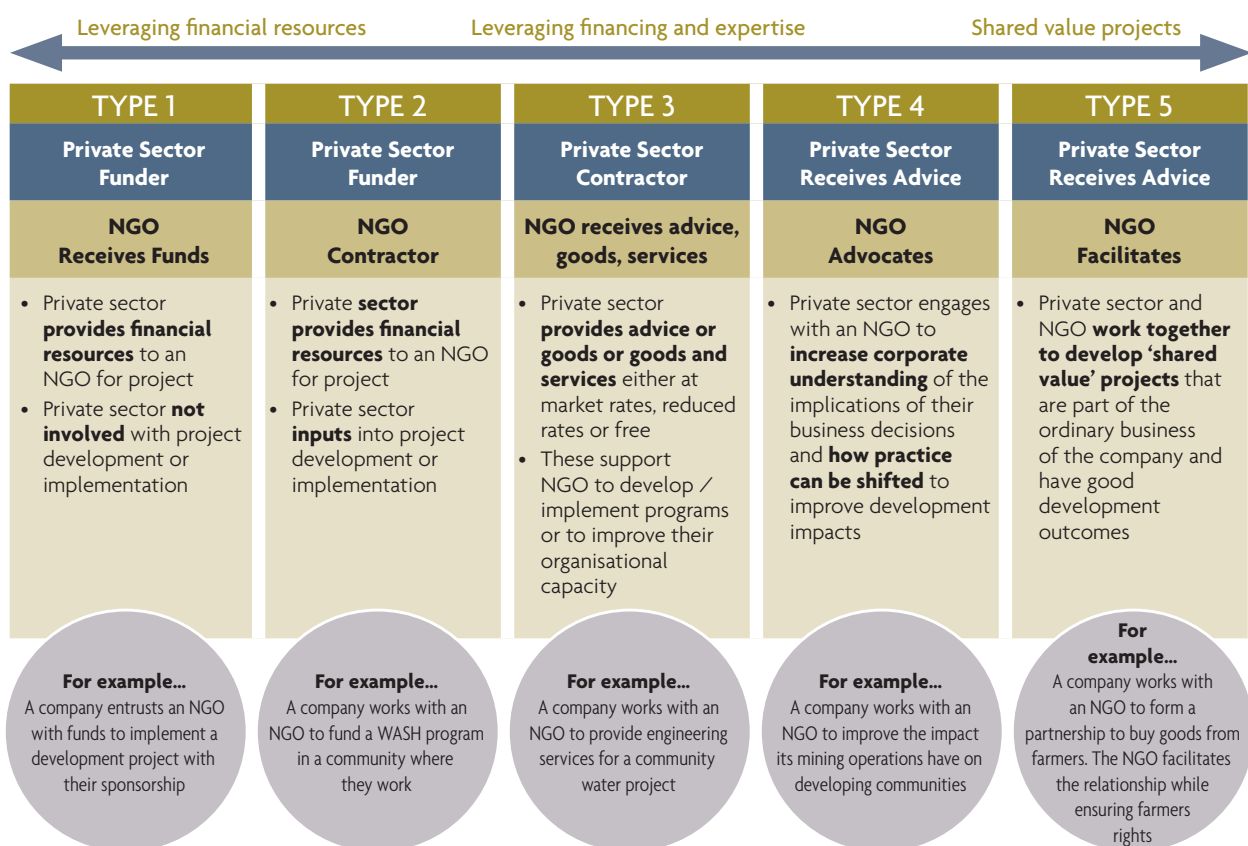
Further information about the survey is provided in the Methodology section at the end of this report.

What is Private Sector Engagement?

For the purposes of the survey, private sector engagement is defined to be where an NGO *partners with* a private sector organisation to deliver a project which achieves development outcomes.¹ This definition excludes private sector *development* where NGOs or other development actors seek to develop the private sector in-country, for example through livelihoods programming. While such work is vital, this survey focuses on private sector partnering as a *means* to development in order to contain the scope of the data collected.

Drawing on existing development literature, ACFID identified five types of engagement that characterise how NGOs - including ACFID members - typically partner with the private sector. The spectrum of engagement ranges from the more commonly understood forms of partnership where NGOs leverage private finance, to partnerships where NGOs work with private sector partners to modify their business practices, through to partnerships to jointly deliver development projects.

Table 1: The Spectrum of Private Sector Engagement



¹ Similar definitions are used by the United Nations Development Program (UNDP) and the Organisation for Economic Cooperation for Development (OECD)

Definitions for the 5 types of engagement

Type 1 engagement involves a private sector organisation providing financial resources to an NGO partner for a development project.

Type 2 engagement involves a joint project where a private sector organisation provides both financial resources and some input into a development project.

Type 3 engagement occurs when private sector partners provide advice, goods or services to NGOs to support the development of projects in developing countries or to improve the organisational capacity of the NGO partner.

Type 4 engagement occurs when an NGO partners with a private sector organisation to raise corporate understanding of the implications of business decisions and activities on developing communities, and help to shift business practices to align better with good development outcomes.

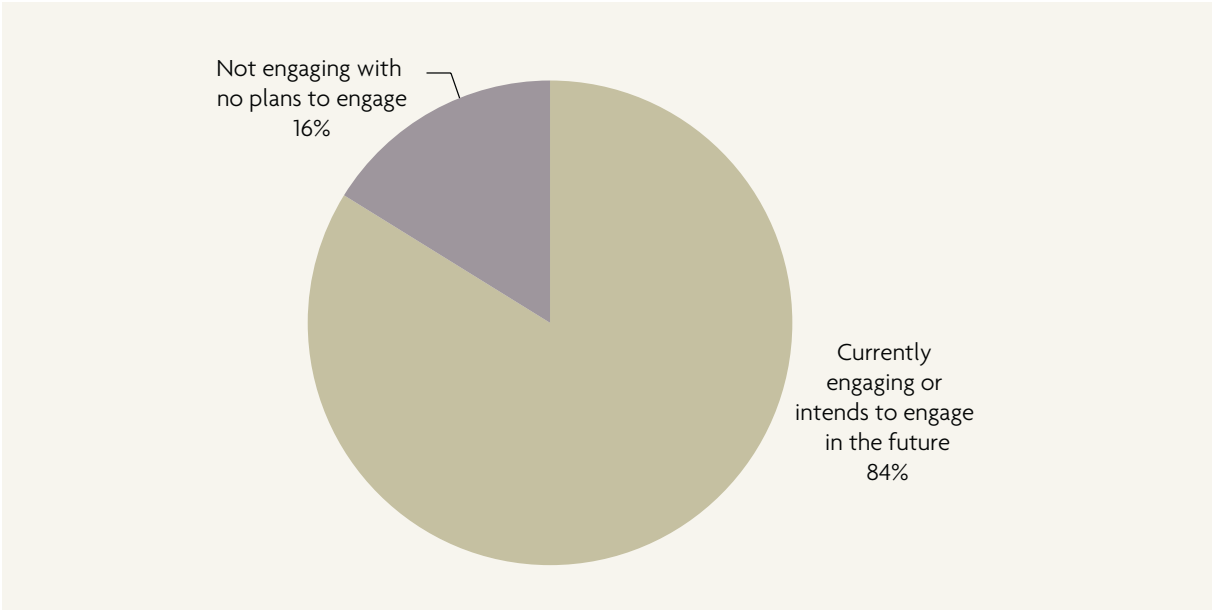
Type 5 engagement occurs when an NGO and private sector partner work together to develop and implement 'shared value' projects that produce good development outcomes and form part of the ordinary business activities of the company.

Part 1: The extent and nature of existing partnerships

1. There are extensive partnerships between NGOs and the private sector

Aid and development NGOs and private sector organisations are actively partnering to fund, develop and implement projects to achieve development outcomes. Two thirds (67%) of NGOs responding to the survey already partner with private sector organisations in some form. Of those organisations that do not currently partner with the private sector, more than half intended to partner with private sector organisations in the future. In total, 84% of NGOs reported that they already partner with the private sector or wanted to form private sector partnerships in the future.

Figure 1: Overall Engagement with the Private Sector

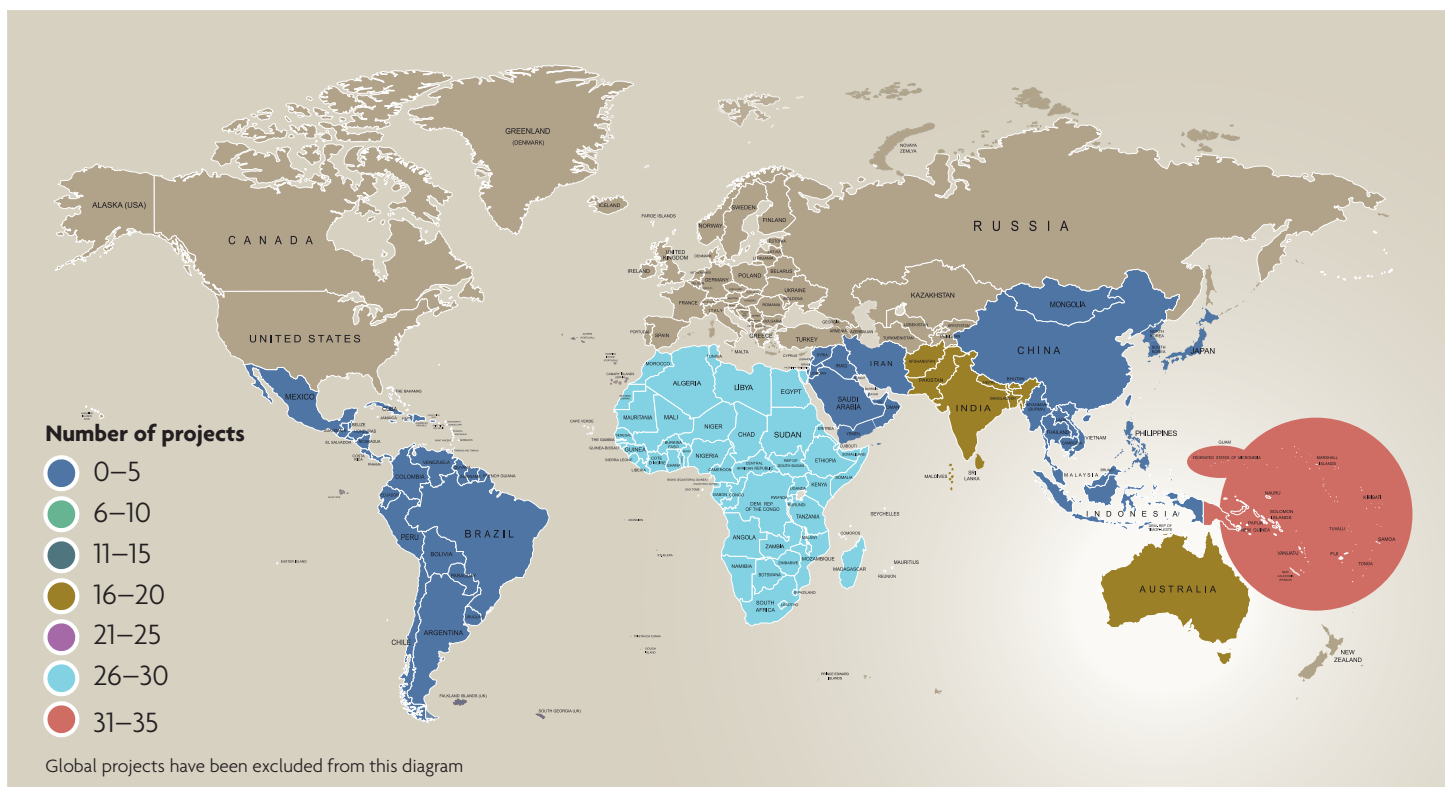


2. Private sector engagement is easier to facilitate with Australian companies, and in Australia's region

Private sector partnerships are more likely to occur with Australian companies and for projects that are in Australia's region. The vast majority of NGO partnerships with the private sector are with Australian companies – compared to multinational corporations, or companies based in other countries.² Moreover, although NGOs and private sector organisations partner on development projects across all regions of the developing world, the majority of private sector engagement is for projects close to home. Almost 70% of all partnerships identified were concentrated in the Asia and Pacific region.

This strongly suggests that geographic proximity between NGO and private sector partners, as well as proximity with the development projects themselves, are important facilitators of private sector engagement. Australian companies prefer to partner with NGOs that they can build relationships with and on projects that are close to their operations or headquarters.

Figure 2: Private Sector Engagement around the World



2 Survey respondents were asked to nominate whether private sector partners were Australian companies, multinational corporations, companies based in the country a given project was being implemented or a third country entirely.

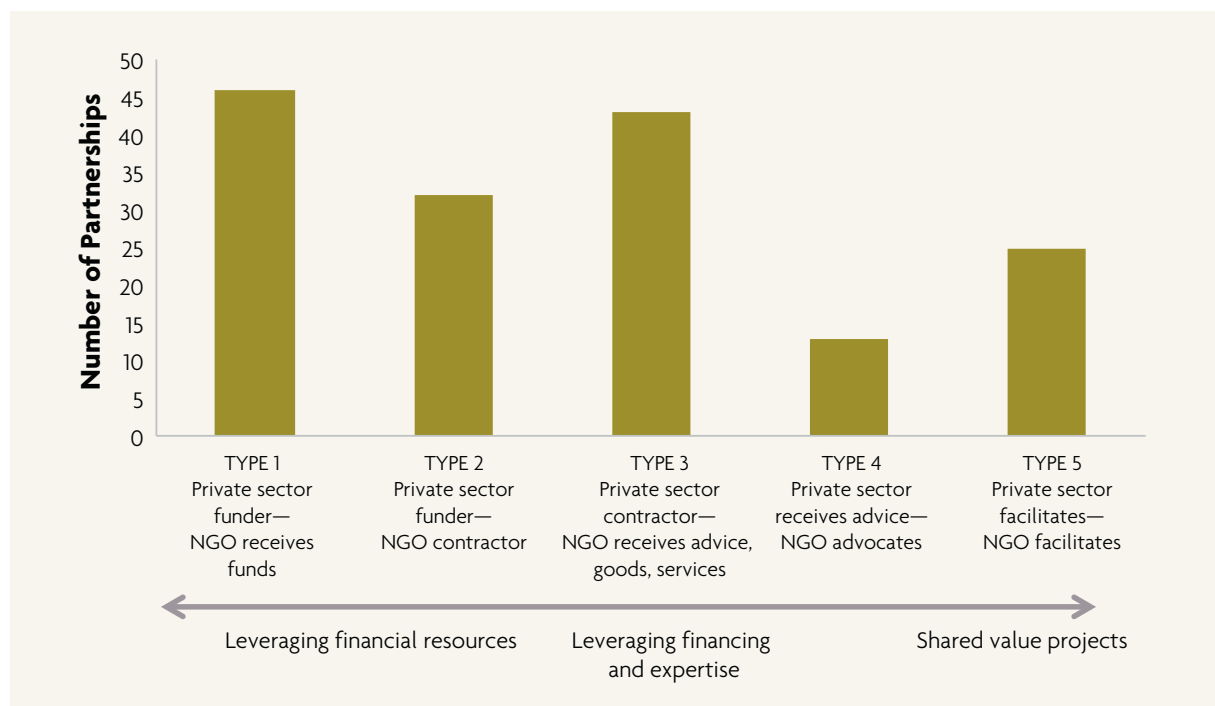
3. NGOs effectively leverage private sector financial resources and expertise for development

Close to half of all partnerships identified were examples of either Type 1 or Type 2 engagement. These partnerships typically involve NGOs leveraging the funds and resources of private sector partners to design and implement development projects.

More than a quarter (27%) of all partnerships were Type 3 engagement where private sector partners provide advice, goods or services to NGOs to facilitate the development of projects. These are important forms of engagement as they utilise the expertise and resources of private sector partners.

Close to 9% of partnerships were characterised as Type 4 engagement where NGO and private sector partners worked together to better align business operations with positive development outcomes. An additional 15% of partnerships involved NGOs and private sector organisations working together to develop projects that build value for both the company as part of its ordinary activities, and for developing communities. Overall, close to a quarter (24%) of all partnerships identified focus on shaping the core business activities of private sector partners to achieve development outcomes.

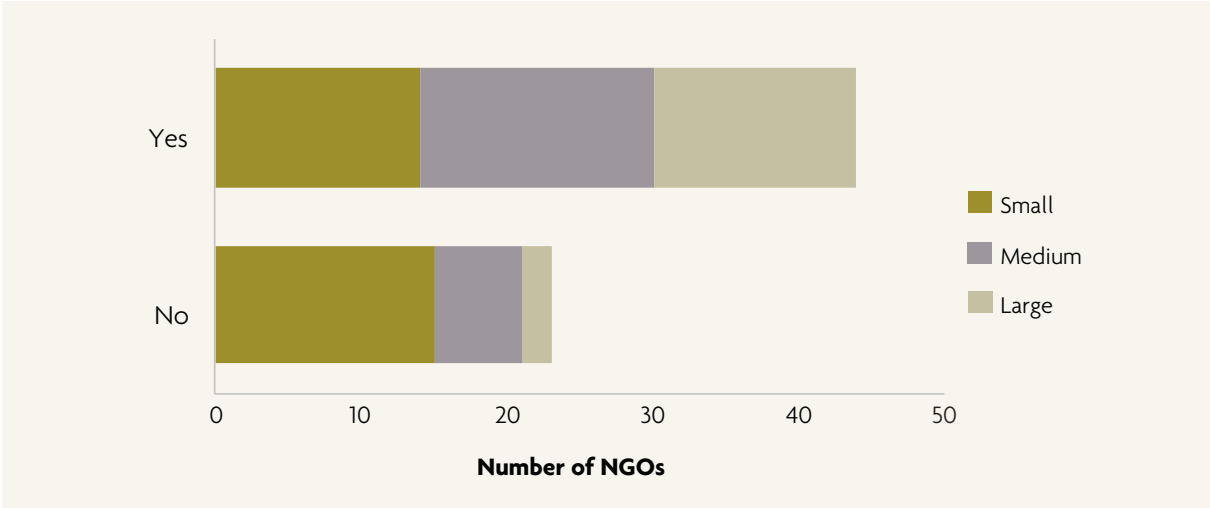
Figure 3: The Range of Engagement



4. NGOs of all sizes partner with the private sector but for different purposes

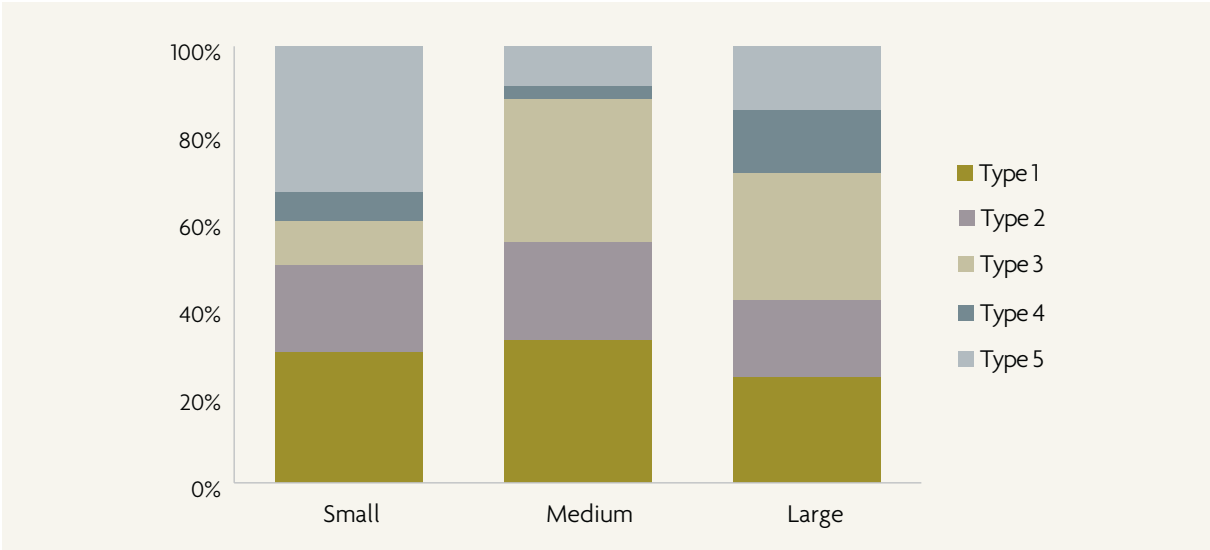
The size of an NGO is no barrier to forming successful private sector partnerships. In fact, the survey results show that private sector engagement is equally common across small, medium-sized and large NGOs.³

Figure 4: Size of the NGOs that Partner with the Private Sector



Size is, however, an important determinant of the nature of the private sector partnerships formed. For example, large NGOs were found to form private sector partnerships across all five types of engagement. In contrast, medium-sized NGOs typically partnered to leverage private sector financing and expertise, while small NGOs commonly partnered to develop shared value projects. The results of the survey strongly suggest that private sector partnerships can be tailored to NGOs of all sizes, and that private companies are as willing to engage with small and medium-sized NGOs as with large NGOs.

Figure 5: Type of Engagement by NGO Size

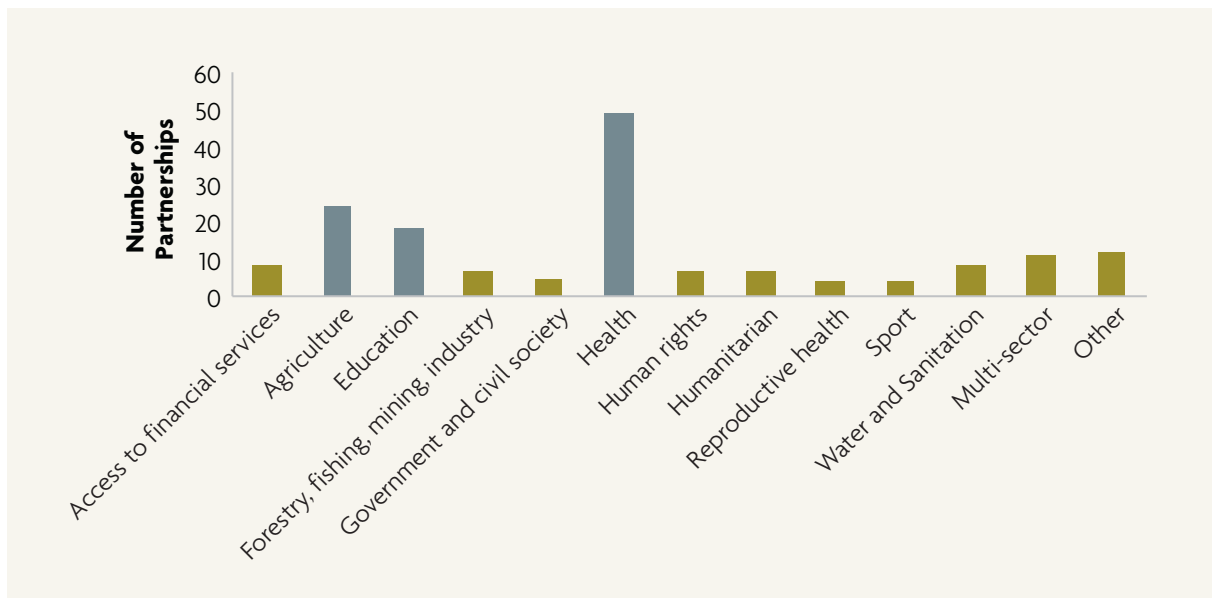


³ ACFID classifies NGOs as small if their budgets were under \$1m, medium if their budgets were between \$1m and \$10m and large if their budgets were greater than \$10m.

5. Partnerships are most common for health, education and agriculture projects

NGOs and private sector organisations partner on a wide range of development projects in developing countries from human rights, to water and sanitation projects, to projects that increase access to financial services. Although there is a breadth of engagement across sectors, the survey results suggest that the health, agricultural and education sectors lend themselves more readily to private sector engagement. Of the 164 private sector partnerships identified, close to 30% were for projects to improve health and access to healthcare. Around 15% of partnerships were focused on delivering agricultural projects while 11% of partnerships involved education projects in developing countries.

Figure 6: Purpose of Private Sector Projects



6. Partnerships are formed by both NGOs and private sector organisations taking the initiative

A range of approaches are used to establish engagement with the private sector. However, the survey results show that the majority of successful private sector partnerships are formed by NGOs proactively initiating contact with the private sector.⁴ Personal relationships are also a key driver of partnerships with private sector organisations, implying that both NGOs and private sector firms are keen to work with those they have existing relationships with.

The size of an NGO does, in some ways, influence the way they form partnerships with the private sector. For example, small and medium-sized NGOs reported more partnerships forming from personal relationships at the board or management level. Small NGOs were more likely to form partnerships after private sector organisations initiated contact.

Figure 7: How Partnerships are Formed



⁴ For this part of the survey, respondents were able to nominate more than one way private sector partnerships were formed.

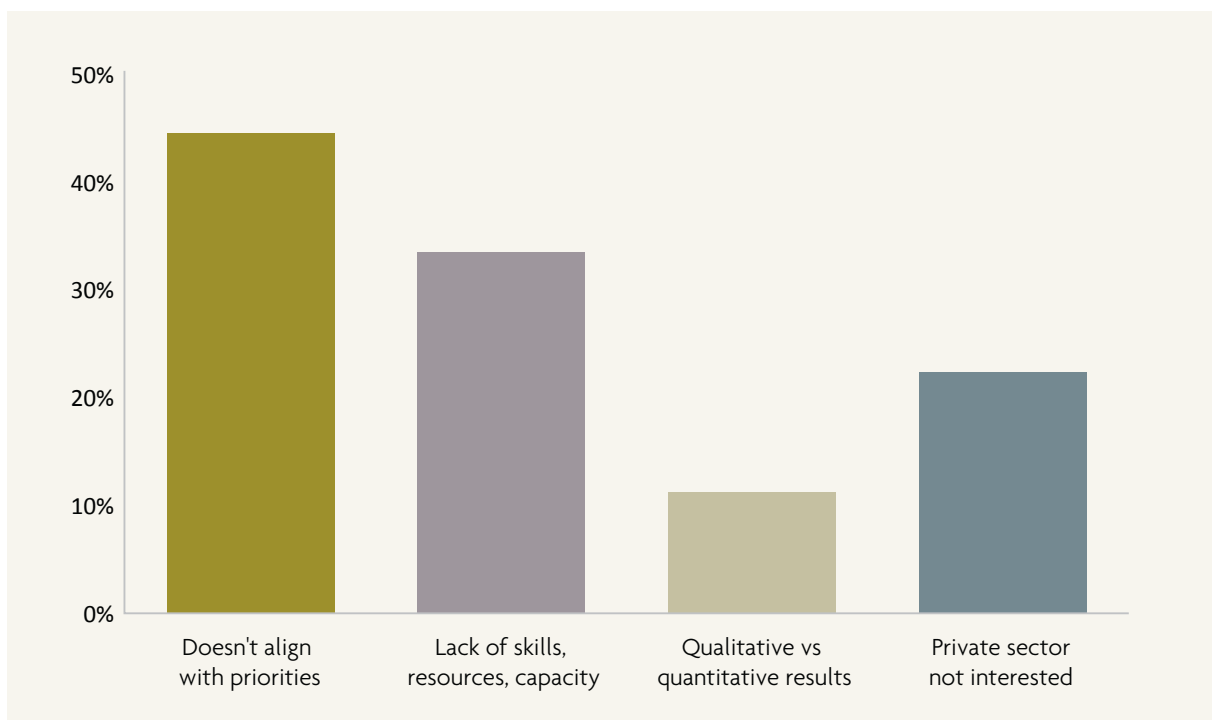
7. Achieving development goals are central to private sector partnerships

An important barrier to private sector engagement is the potential mismatch between private sector interests and the achievement of development goals. While there is substantial engagement between ACFID members and private sector organisations to achieve development outcomes, 16% of survey respondents were not engaging with the private sector and did not intend to engage in the future.

A common concern of these NGOs was that private sector engagement should not come at the expense of achieving development outcomes. Some respondents raised concerns that due to their for-profit nature, it may be difficult to satisfactorily align private sector interests with development goals. Moreover, private sector organisations may prefer to engage in activities that have measurable and easily quantifiable results, an approach that is not always compatible with projects aiming to achieve sustainable and inclusive development. For example, projects that seek to empower women and girls and shift entrenched gender norms are likely to produce long-term, qualitative outcomes that are difficult to measure.

While these views represent a small subset of survey respondents, they do shed some light on potential barriers to private sector engagement for development. The results suggest that private sector engagement could be encouraged by ensuring both private sector and NGO partners can see the potential of achieving development outcomes in partnership with each other.

Figure 8: Barriers for NGOs to Private Sector Engagement for Development



Part 2: Facilitating further and more effective engagement

In addition to identifying the extent and nature of partnerships between ACFID members and private sector organisations, the findings of the survey provide insight on ways new partnerships can be encouraged. This section draws on the survey results to surface opportunities to facilitate further and more effective engagement, as well as areas where further research would be beneficial.

The potential of partnerships to shift business practices and build shared value

The last decade has seen private sector organisations around the world become increasingly cognisant of the impact their operations have on developing communities. This has been due in part to increased scrutiny by the public, government and civil society. A growing number of private sector organisations are interested in shifting business practices, and developing projects that generate positive development outcomes. Embedding development considerations into the core business strategies of companies is often a more effective and lasting approach to development than establishing funding arrangements through corporate social responsibility arms.⁵

Almost a quarter of all partnerships identified through ACFID's survey focused on the core business strategies and operations of private sector partners, and the consequences they have for developing communities (Type 4 and Type 5 engagement). However, the results show that Australian companies are lagging behind the rest of world in terms of building shared value projects. Australian companies engage in proportionately fewer projects that build shared value or shape business practices for development outcomes when compared to their international counterparts. Specifically, only 12% of partnerships reported between ACFID members and Australian companies involved these kinds of shared value projects. In contrast, almost 40% of all partnerships identified between ACFID members and multinational corporations, companies based in-country or companies based in third countries were shared value partnerships.

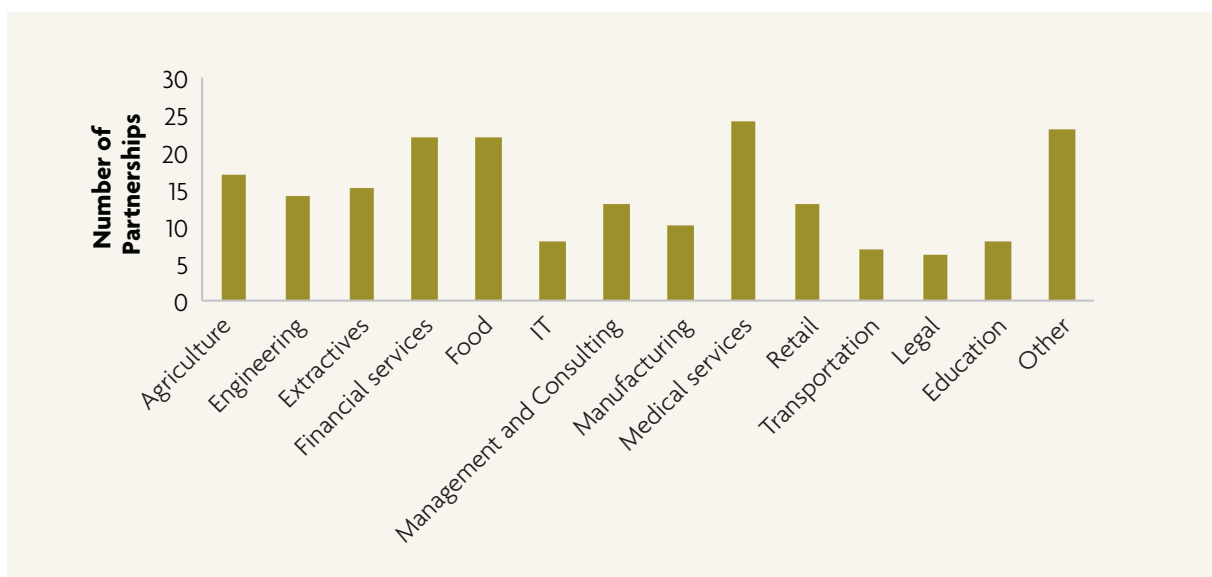
Encouraging Australian private sector organisations to consider development goals as part of their core business activities could be a powerful catalyst for poverty reduction in Australia's region and beyond. It is also fertile ground for increasing private sector engagement in development. However, fostering partnerships that build shared value and change business practices may require a more detailed understanding of the nature of these partnerships and what drives them. Further research into the drivers of shared value partnerships in the Australian context, their key characteristics and how they are formed would be beneficial for all stakeholders. This research may shed light on why Australian companies less commonly form shared value partnerships and how they can be encouraged.

5 See OECD Report, The role of the private sector in the context of aid effectiveness, available: <http://www.oecd.org/dac/effectiveness/47088121.pdf>

The potential to capitalise on synergies between private sector organisations and specific areas of development

The majority of private sector partnerships identified were with companies operating in the medical services or pharmaceutical sectors. Financial services firms and companies operating in the food sector were also common private sector partners, followed by agricultural companies and extractives companies. The ‘Other’ category covered private sector engagement in areas such as sales and marketing, and tourism.

Figure 9: The Industry of Private Sector Partners



Leveraging the skills and expertise of the private sector to achieve development outcomes are core goals of private sector engagement. There are clear opportunities to encourage private sector organisations to contribute to development projects in areas where they have specific expertise. This is already happening to some extent – for example, the majority (76%) of partnerships between NGOs and medical and pharmaceutical firms centred on health projects in developing communities. Similarly, agricultural firms predominantly partner with NGOs on agricultural and food assistance programs.

However, there is substantial scope to increase the number of private sector partnerships that capitalise on the synergies between key development areas and the expertise of private sector partners. By way of example, private sector engagement could be increased by encouraging financial services firms to partner with NGOs on projects that increase access to financial services in developing countries. Though financial services firms are common private sector partners, they currently engage largely by providing financial resources to NGOs (Type 1 engagement).

Capitalising on these kinds of synergies could substantially increase private sector engagement for development. NGOs and private sector partners should consider new opportunities to engage on development projects that make the most of their core expertise. This may encourage more shared value projects developed jointly by both NGO and private sector partners, drawing on the skills and knowledge of each.

The need to build private sector interest and understanding of international development

As with any form of partnership, successful private sector engagement for development is contingent on the mutual interest and understanding of both NGOs and private sector organisations. Private sector organisations, as well as NGOs, must understand the importance of aid and development, and the value of partnering. The survey results show that many private sector partnerships are initiated by private sector organisations themselves or are built on personal relationships with individuals in private sector organisations who support development outcomes.

Moreover, the results highlight that a key barrier to engagement is a lack of interest or awareness about international development within the private sector. Over 20% of NGOs who did not engage with the private sector reported that private sector organisations were uninterested in partnership for development projects. This is difficult for potential NGO partners to overcome alone. There is a natural role for government to address the gaps in awareness and understanding within the private sector.

DFAT should consider activities to raise awareness among Australian private sector organisations of the importance of aid and international development, and how they can partner with NGOs to contribute to development efforts. There may be particular interest in projects that build shared value for both developing communities and private sector organisations.

The need to build skills and understanding within NGOs

There is substantial private sector engagement across ACFID's members, however, a lack of skills and understanding of how the private sector operates is a barrier to further engagement. NGO partners must be better informed about the business models and incentives of private sector organisations so they can see opportunities to engage, but also identify when private sector engagement is inappropriate. ACFID has a role to play in convening its members to support the sharing of expertise and approaches on effective private sector engagement for development outcomes.

Profile of survey respondents

The ACFID Private Sector Engagement Survey was completed December 2014. The survey was distributed to all 134 organisations who were full ACFID members as at June 2014.

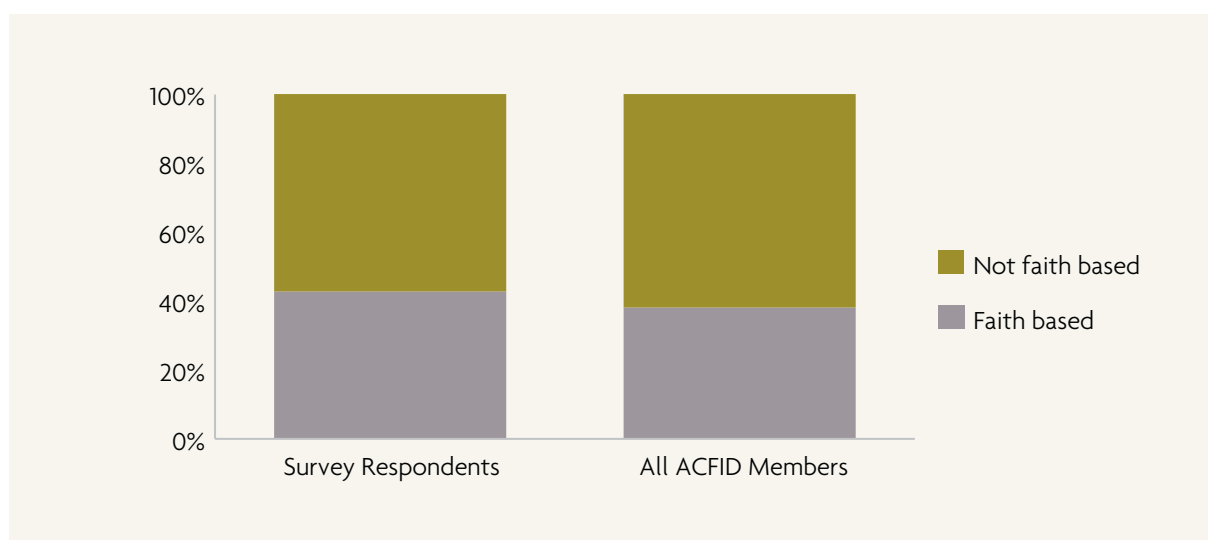
67 ACFID members responded to the survey; 43% of respondents were small agencies, one third were medium sized and one quarter of respondents were large agencies. As the graph below shows, the survey sample collected is broadly representative of ACFID's membership in terms of size – though there is a slight overrepresentation of large NGOs. As a result, it is possible that the survey results underestimate private sector engagement by small NGOs.

Figure 10: Size of NGOs Respondents



ACFID also classifies its members in terms of religious affiliation. The survey sample is representative of the split between faith-based and non-faith based agencies across ACFID's overall membership. This means the survey should encompass any differences in private sector engagement between faith-based and secular NGOs.

Figure 11: Faith Based NGOs Respondents



The survey response rate was in line with other member surveys conducted by ACFID. It is worth noting that ACFID was informed by a number of members that they were unable to complete the survey due to resource constraints but that they did engage with the private sector.

Survey Questions

The goal of the survey was to develop a snapshot of the variety and breadth of partnerships with the private sector. As such, the survey sought to collect project level data. The survey asked respondents to provide details of individual development projects for which they partnered with private sector organisations. For each project survey respondents were asked to provide:

- the name and location of the project
- the purpose of the project, based on internationally recognised categories⁶
- the name and location of the private sector partner
- the industry of the private sector partner
- the type of engagement based on ACFID's typology⁷

Though the survey asked for all examples of private sector partnerships, a number of ACFID members responded that this was too onerous given the large number of partnerships they had with private sector organisations. Many survey respondents instead provided a snapshot of engagement, while others aggregated different projects that involved the same private sector partner. As a consequence, the results of this survey likely underestimate the amount of private sector engagement occurring within ACFID's membership.

6 Specifically, categories used by the Development Assistance Committee for the Organisation for Economic Cooperation and Development (OECD)

7 In the original survey, the ACFID typology of private sector engagement included 6 types of engagement. In presenting the results, two types of engagement were aggregated to simplify analysis. Specifically, Type 3 engagement defined in this report as where 'NGOs receive advice, goods or services' is an aggregation of projects where 'NGOs received goods and services' and projects where 'NGOs received advice.'

Current Member List – at June 2015

Total number of ACFID Members: 146 Full Members: 132 Affiliate Members: 14

FULL MEMBERS:

1. ACC International Relief
2. Act for Peace – NCCA
3. ActionAid Australia
4. ADRA Australia
5. Afghan Australian Development Organisation
6. Anglican Aid
7. Anglican Board of Mission – Australia Limited
8. Anglican Overseas Aid
9. Anglican Relief and Development Fund Australia
10. Asia Pacific Journalism Centre
11. Asian Aid Organisation
12. Assisi Aid Projects
13. Australasian Society for HIV Medicine
14. Australia for UNHCR
15. Australia Hope International Inc
16. Australian Business Volunteers
17. Australian Cranio-Maxillo Facial Foundation
18. Australian Doctors for Africa
19. Australian Doctors International
20. Australian Federation of AIDS Organisations
21. Australian Foundation for the Peoples of Asia and the Pacific
22. Australian Himalayan Foundation
23. Australian Injecting and Illicit Drug Users League
24. Australian Lutheran World Service
25. Australian Marist Solidarity Ltd
26. Australian Medical Aid Foundation
27. Australian Mercy
28. Australian Red Cross
29. Australian Respiratory Council
30. Australian Volunteers International
31. Beyond the Orphanage
32. Birthing Kit Foundation (Australia)
33. Brien Holden Vision Institute Foundation
34. Bright Futures Child Aid and Development Fund (Australia)
35. Burnet Institute
36. Business for Millennium Development
37. CARE Australia
38. Caritas Australia
39. CBM Australia
40. ChildFund Australia
41. CLAN (Caring and Living as Neighbours)
42. Credit Union Foundation Australia
43. Daughters of Our Lady of the Sacred Heart Overseas Aid Fund
44. Diaspora Action Australia
45. Diplomacy Training Program
46. Door of Hope Australia Inc.
47. Edmund Rice Foundation (Australia)
48. EDO NSW
49. Engineers without Borders
50. Every Home Global Concern
51. Family Planning New South Wales
52. Fairtrade Australia New Zealand*
53. Food Water Shelter
54. Foresight (Overseas Aid and Prevention of Blindness)
55. Fred Hollows Foundation, The
56. Global Development Group
57. Global Mission Partners
58. Good Shepherd Services
59. Grameen Foundation Australia
60. Habitat for Humanity Australia
61. Hagar Australia
62. HealthServe Australia
63. Hope Global
64. Hunger Project Australia, The
65. International Children's Care (Australia)
66. International Christian Aid and Relief Enterprises
67. International Detention Coalition
68. International Needs Australia
69. International Nepal Fellowship (Aust) Ltd
70. International RiverFoundation
71. International Women's Development Agency
72. Interplast Australia & New Zealand
73. Islamic Relief Australia
74. KTF (Kokoda Track Foundation)
75. Kyeema Foundation
76. Lasallian Foundation
77. Leprosy Mission Australia, The
78. Live & Learn Environmental Education
79. Love Mercy Foundation*
80. Mahboba's Promise Australia
81. Marie Stopes International Australia
82. Marist Mission Centre*
83. Marsh Foundation
84. Mary MacKillop International
85. Mary Ward International Australia*
86. Mercy Works Ltd
87. Mission World Aid Inc
88. Motivation Australia
89. MSC Mission Office
90. Nusa Tenggara Association Inc
91. Oaktree Foundation
92. One Thousand Villages
93. Opportunity International Australia
94. Oro Community Development Project Inc
95. Oxfam Australia
96. Palmera Projects
97. Partners in Aid
98. Partners Relief and Development Australia
99. People with Disability Australia
100. PLAN International Australia
101. Project Vietnam
102. Quaker Service Australia
103. RedR Australia
104. Reledav Australia
105. RESULTS International (Australia)
106. Royal Australian and New Zealand College of Ophthalmologists
107. Royal Australasian College of Surgeons
108. Salesian Missions
109. Salvation Army (NSW Property Trust)
110. Save the Children Australia
111. Service Fellowship International Inc
112. School for Life Foundation*
113. SeeBeyondBorders
114. Sight For All
115. SIMaid
116. So They Can
117. Sport Matters
118. Surf Aid International
119. Tamils Rehabilitation Organisation Australia*
120. TEAR Australia
121. Transform Aid International (incorporating Baptist World Aid)
122. Transparency International Australia
123. UNICEF Australia
124. Union Aid Abroad – APHEDA
125. UnitingWorld
126. University of Cape Town Australian Trust
127. Volunteers in Community Engagement (VOICE)
128. WaterAid Australia
129. Women for Women in Africa
130. World Education Australia
131. World Vision Australia
132. WWF – Australia

AFFILIATE MEMBERS:

133. Australian National University – School of Archaeology and Anthropology, College of Arts and Social Sciences
134. Deakin University – Alfred Deakin Research Institute
135. La Trobe University – Institute of Human Security and Social Change
136. Murdoch University – School of Management and Governance
137. Refugee Council of Australia
138. RMIT – Global Cities Research Institute
139. Royal Institute for Deaf and Blind Children**
140. University of Melbourne – School of Social and Political Sciences
141. University of Queensland – Institute for Social Science Research**
142. University of Sydney – Office of Global Engagement**
143. University of the Sunshine Coast – International Projects Group
144. University of Technology, Sydney – Institute for Sustainable Futures
145. Vision 2020
146. University of Western Australia – School of Social Sciences**

* Denotes Interim Full Member

** Denotes Interim Affiliate Member

united against poverty

ACFID unites Australia's non-government aid and international development organisations to strengthen their collective impact against poverty.

ACFID

14 Napier Close Deakin ACT 2600

Private Bag 3 Deakin ACT 2600 Australia

P +61 2 6285 1816

F +61 2 685 1720

E main@acfid.asn.au

www.acfid.asn.au

